

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

MARKET-DOMINANT PRICE CHANGE

Docket No. R2021-2

UNITED STATES POSTAL SERVICE RESPONSES TO
CHAIRMAN'S INFORMATION REQUEST NO. 5
(June 21, 2021)

The United States Postal Service hereby provides its responses to Chairman's Information Request No. 5, issued on June 14, 2021. Each question is stated verbatim and is followed by its response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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USPS Marketing Mail

1. As required by the Commission in the FY 2010 Annual Compliance Determination,¹ please provide:
 - a. a schedule of future above-consumer price index price increases for USPS Marketing Mail Flats;
 - b. an explanation of how the proposed prices will move the Flats cost coverage toward 100 percent; and
 - c. a statement estimating the effect that the proposed prices will have in reducing the subsidy of the Flats product.

Response:

In the FY 2010 Annual Compliance Determination (ACD), the Commission articulated a number of directives for Flats cost coverage. The Commission generally directed the Postal Service “to increase the cost coverage of the Standard Mail Flats product through a combination of above-average price adjustments, consistent with the price cap requirements, and cost reductions until such time that the revenues for this product exceed attributable costs.”² The Commission specifically directed the Postal Service to present a schedule of above-average CPI price increases for Flats in each subsequent ACR and price case,³ and the Postal Service has done so.

Then, in the FY 2018 and FY 2019 ACDs, the Commission directed the Postal Service to increase the price of Flats by at least 2 percentage points above the class

¹ Docket No. ACR2010, Annual Compliance Determination Report, March 29, 2011, at 107 (FY 2010 ACD).

² Annual Compliance Determination Report, Fiscal Year 2010, Docket No. ACR2010 (Mar. 29, 2011), at 106 [hereinafter “FY 2010 ACD”]. After resolution of the Postal Service’s appeal of certain remedial actions regarding Standard Mail Flats in the FY 2010 ACD, the Commission directed the Postal Service to “respond to the specific remedy adopted by the 2010 ACD by presenting a schedule of future price adjustments for Standard Mail Flats.” Order No. 1472, Notice and Order Confirming Termination of Stay, Docket No. ACR2010-R (Sept. 21, 2012), at 3.

³ FY 2010 ACD, at 107.

average in each of the next Market Dominant price cases, superseding the Postal Service's planned increases in the price of Flats for FY 2020 and FY 2021. Accordingly, the price of Flats increased by 3.893 percent when R2020-1 prices were implemented in January 2020 and increased 3.553 percent in January 2021 under Docket No. R2021-1. Table 1 gives a history of the above-average price changes for Flats since the 2010 ACD.

Table 1: Flats Price Changes since 2010

Docket No.	(A) Flats Price Increase (%)
R2013-10	1.810
R2015-4	2.549
R2017-1	2.522
R2018-1	2.167
R2019-1	2.621
R2020-1	3.893
R2021-1	3.553

On November 30, 2020, in Docket No. RM2017-3, the Commission adopted 39 C.F.R. § 3030.221, which requires the Postal Service to increase rates for non-compensatory products within compensatory classes of mail, such as Flats, presently, "by a minimum of 2 percentage points above the percentage increase for that class." As such, in the FY 2020 ACD, the Commission directed the Postal Service to raise rates for Marketing Mail Flats least 2 percent above the class average.⁴

Accordingly, in the present price case, the Postal Service will raise prices for Marketing Mail Flats by 8.819 percent. R2021-2 United States Postal Service Notice of

⁴ Docket No. ACR2020, Annual Compliance Determination Report Fiscal Year 2020, Mar. 29, 2021, at 41.

Market-Dominant Price Change, May 28, 2021, at 12. The Postal Service hopes that the 8.819 percent increase, much larger than previous increases for Marketing Mail Flats, will help reverse the decline in cost coverage for the product, move cost coverage toward 100 percent, and reduce the Flats subsidy.

As to a schedule of future price increases, the Postal Service notes that the Commission has, in the ACDs for FY 2018 – 2020, now issued three directives requiring an increase in prices for Flats by at least 2 percentage points above the class average, and it has adopted 39 C.F.R. § 3030.221, requiring the same for any non-compensatory product in a compensatory class. Accordingly, these actions have superseded the 2010 directive for a schedule of future price increases, in so far as the Commission has effectively determined the product's price increases until such time as the product is compensatory or the Commission revises 39 C.F.R. § 3030.221.

Periodicals

2. In Response to CHIR No. 1, question 5,⁵ the Postal Service submitted Excel file "ChIR1Q5.xlsx," which adds unit costs for trays to the existing Outside County Periodicals Unit Mail Processing Costs model. Please confirm that the addition of unit costs for trays is a methodological change that will need to be separately reviewed by the Commission in a docket pursuant to 39 U.S.C. § 3652(e)(2). If confirmed, please indicate when the Postal Service intends to submit a rulemaking for adding unit costs for trays. If not confirmed, please explain.

Response:

It would appear that the addition of the unit costs for trays presented in the cited Excel file is merely the extension of the established methodology for calculating the unit costs of containers to now generate the unit costs for an additional container type. Under this view, the unit costs for trays (the additional container type) are being calculated using the methodology already established for other container types, and merely differs by virtue of the use of different input data (*i.e.*, existing data applicable to trays). This conclusion is reinforced by the fact that the current accepted practice is to use sack costs as a proxy for tray costs.

⁵ Response of the United States Postal Service to Questions 1 and 5-8 of Chairman's Information Request No. 1, June 10, 2021, question 5 (Response to CHIR No. 1).